



Sunfonda Group Holdings Limited 新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771



2021
INTERIM REPORT

LEXUS 雷克薩斯

BENTLEY

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Porsche Centre
Taiyuan

PORSCHE



CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

INVESTOR INQUIRIES

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BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam (*Chairman of the Board*)

Ms. Chiu Man (*Chief Executive Officer*)

Mr. Gou Xinfeng

Ms. Chen Wei

Independent Non-executive Directors

Mr. Liu Jie

Mr. Song Tao

Dr. Liu Xiaofeng

AUDIT COMMITTEE

Mr. Liu Jie (*Chairman*)

Mr. Song Tao

Dr. Liu Xiaofeng

NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Mr. Liu Jie

Mr. Song Tao

Dr. Liu Xiaofeng

REMUNERATION COMMITTEE

Mr. Song Tao (*Chairman*)

Mr. Liu Jie

Dr. Liu Xiaofeng

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Mr. Liu Jie

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting (*ACG, ACS*)

HEADQUARTERS

Sunfonda Automobile Center

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Xi'an City, Shaanxi Province

PRC



CORPORATE INFORMATION

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No. 1, Zhuque Avenue
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STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

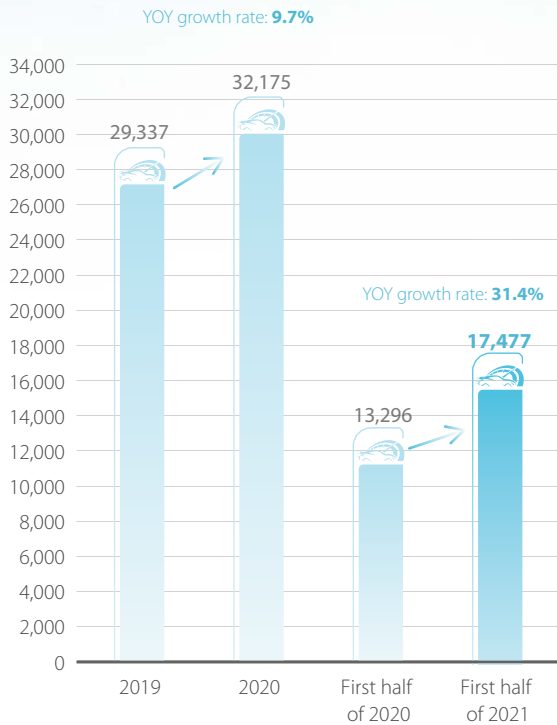
During the period from 1 January 2021 to 30 June 2021, the Group has recorded:

- Operating revenue of RMB6,124.5 million, which was up by 37.9% from the same period last year, including:
 - Sales volume of new vehicles up by 31.4% to 17,477 units, and revenue from the sales of new vehicles up by 33.6% to RMB5,276.2 million;
 - Revenue from after-sales services up by 30.3% to RMB639.6 million; and
 - Revenue from the sales of used cars of RMB208.7 million (same period in 2020: Nil).
- Gross profit of RMB483.3 million, which was up by 53.8% from the same period last year.
- Gross profit margin was up by 0.8 percentage point to 7.9% (same period in 2020: 7.1%).
- Profit attributable to owners of the parent for the Period was up by 374.4% to RMB220.6 million (same period in 2020: RMB46.5 million).
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent increased to RMB0.37 for the Period as compared to RMB0.08 for the same period last year. The board of directors of the Company resolved to declare an interim dividend of HK\$0.05 (equivalent to approximately RMB0.04) per ordinary share for the six months ended 30 June 2021 (same period in 2020: Nil).

FINANCIAL HIGHLIGHTS

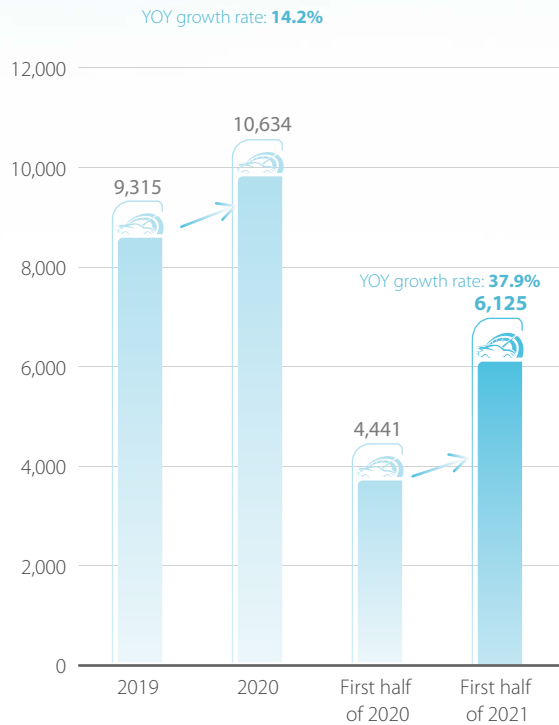
Sales volume of passenger vehicles

(Unit)



Revenue

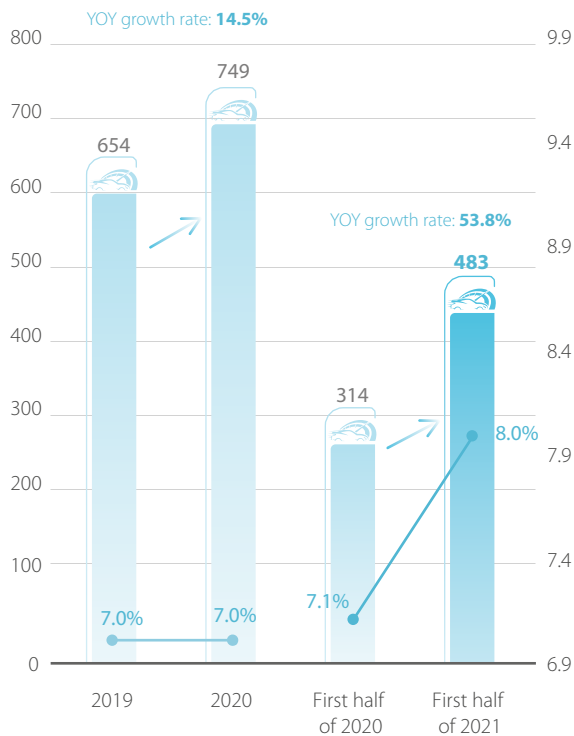
RMB in million



Gross profit and gross profit margin

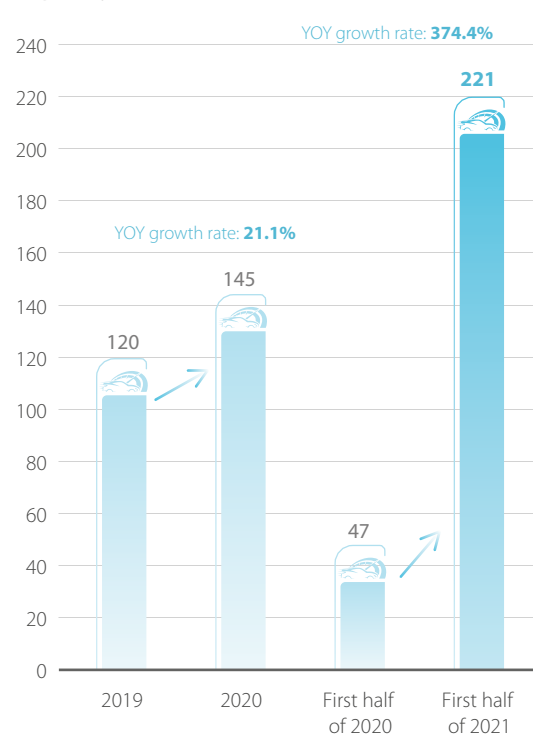
RMB in million

Percentage



Equity attributable to owners of the parent

RMB in million



Note: "YOY" refers to year-on-year.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I am pleased to present the interim report of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Period**").

Looking back to the first half of 2021, the world was still overshadowed by the outbreak of the novel coronavirus pneumonia pandemic (the "**Pandemic**"). However, the situation in China was generally stable, and the gradual promotion of COVID-19 vaccination will achieve more effective Pandemic prevention and control in China. Driven by the strengthening of the internal circulation and the enhancement of consumption upgrading, China's economy recovered fully, and showed a strengthening and improving trend while remaining stable. China's passenger vehicle market continued its development momentum in the second half of last year, continued to improve overall in the first half of 2021, and returned to the pre-pandemic level, showing the fastest growth rate over the same period in the past decade. In particular, the luxury automobile market segment achieved extremely bright performance. Since brand and product upgrading further released the demand for new purchases and replacement, the sales volume of luxury automobile brands soared collectively.

As a leading luxury and ultra-luxury automobile dealer in China, the Group further consolidated its leading position in Northwestern China, expanded its market share in key regions of Jiangsu Province, accelerated its development in Central China, and continued to expand its business footprint across China. In the first half of 2021, the Group opened a new GAC Toyota store in Linxia City, Gansu Province, accelerated the construction of the BMW store in Wuhan City, Hubei Province, and newly obtained the authorisation of two luxury car brands in Beijing and Xi'an, which will further highlight the advantages of the brand structure, enhance the influence in key regions and markets, and lay a solid foundation for future development.

The Group seized the opportunity of strong demand in the luxury automobile market, adapted to market changes to meet customer needs, and further strengthened refined management to improve operating efficiency and reduce operating costs. In the first half of 2021, the Group achieved a sales volume of 17,477 vehicles, representing an increase of 31.4% year on year; the revenue was RMB6,124.5 million, representing an increase of 37.9% year on year; and the profit for the Period increased by 374.4% year on year to RMB220.6 million, hitting a record high. At the same time, the Group introduced intelligent management to achieve more effective inventory management, resulting in a decrease of average inventory turnover days to 31.1 days, further enhanced customer stickiness, made use of the technical advantages of after-sales service to improve customer experience, and improved service quality while continuously expanding business scale.



CHAIRMAN'S STATEMENT

In the context of consumption upgrading, the business model of the “FUN TIME LANE (豐泰里)” automobile fashion street zone, which is themed by automobile consumption and integrated with catering, parent-child experience and other entertainment formats, has been more recognised by the market. In the first half of 2021, the Group completed the acquisition of the entire equity interests of Lanzhou Fengtai Rongjia Trading Co., Ltd.* (蘭州豐泰榮嘉商貿有限責任公司), and built another “FUN TIME LANE” automobile fashion street zone project in Lanzhou further to the Xi’an-based “FUN TIME LANE” project. Currently, the Group is accelerating the construction of the projects in Xi’an and Lanzhou, which are expected to be completed and put into operation in 2022. In the foreseeable future, the business of the Group is expected to achieve explosive growth in a concentrated manner. At the same time, the Group will further consolidate its leading edge in Northwestern China, continue to optimise its industrial structure and enhance its overall competitiveness, so as to provide strong support for the development of the principal business.

The Group’s continuous development and progress is owed in no small part to the trust and support of all shareholders, partners and customers to the Group, as well as the unremitting efforts of all employees. On behalf of the Board, I would like to express my sincere gratitude to all parties for their excellent contributions to the development of the Group. In the changing economic environment, all colleagues of the Group will move forward bravely and aggressively to create greater value for shareholders.

Chairman of the Board

Wu Tak Lam

20 August 2021

* denotes English translation of the name of a Chinese company, and is provided for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China Enhanced and Improved its Economic Development while Maintaining Stability

In the first half of 2021, the Pandemic continued to evolve, and overseas Pandemic was mitigated with gradual vaccination, but the economic recovery in various regions was uneven and there were many uncertainties. In the face of the complex and changeable domestic and foreign environment, China's economy continued to recover steadily, production demand continued to rebound, employment and price of commodities remained generally stable, new momentum grew rapidly, quality and efficiency improved steadily, market entities held positive expectations, major macro indicators fell within reasonable ranges, and the economic development was strengthened and improved while keeping stable. According to the data published by the National Bureau of Statistics of China, the gross domestic product (the "GDP") for the first half of this year amounted to RMB53,216.7 billion, representing an increase of 12.7% year on year, and an average growth rate of 5.3% for two years. The total retail sales of consumer goods were RMB21,190.4 billion, representing an increase of 23.0% year on year, and an average growth rate of 4.4% for two years. The national per capita disposable income was RMB17,642, representing a nominal increase of 12.6% year on year, and an average growth rate of 7.4% for two years.

Key Areas Covered by the Network of the Group Delivered Steady Economic Development

In the first half of 2021, Shaanxi Province, the major area covered by the network of the Group, fully and deeply implemented the spirit of the General Secretary Xi Jinping's important speeches during his visit to Shaanxi, adhered to the principles of seeking progress while maintaining stability, continuously consolidated and expanded the results of Pandemic prevention and economic and social development, and accelerated the improvement of the entire industry chain with high-quality development as the theme. The economic operation therefore demonstrated a good situation of strengthening while keeping stable, strong recovery and growing momentum. According to the data released by the Shaanxi Provincial Bureau of Statistics, in the first half of this year, Shaanxi's GDP achieved RMB1,354.3 billion, representing an increase of 10.2% year on year, and an average growth rate of 4.8% for two years. The total retail sales of consumer goods amounted to RMB497.5 billion, representing an increase of 22.8% year on year, and an average growth rate of 1.7% for two years. In retail of commodities, consumption of automobiles increased by 18.6%.

Passenger Vehicle Market Was in Strong Demand, and the Sales Volume of Luxury Automobiles Soared Collectively

According to the data published by the China Passenger Car Association (the “CPCA”), despite the impact of the Pandemic at home and abroad, the global “chip shortage”, the soaring cost of raw materials such as steel, and many other unfavorable factors, domestic automobile sales still greatly exceeded market expectation. In the first half of 2021, the cumulative retail sales of passenger vehicles were 9.942 million units, representing an increase of 28.9% year on year, which was at a historical high among the comparative growth rates for the first half of the years since 2011 according to the CPCA. Of which, the luxury automobile market grew rapidly, in the first half of 2021, the sales volume of the luxury automobile market was 1.658 million units, representing an increase of 41.5% year on year. With the emergence of chip supply shortage in the upstream sectors in short term, there may be further promotion of destocking, discount recovery and other actions at the terminal sales level.

According to the sales data officially released by each brand, in the first half of 2021, Porsche’s deliveries in the Chinese market hit a new high, reaching 48,654 units, representing an increase of 23% year on year, and breaking Porsche’s historical sales record. In the first half of 2021, Mercedes-Benz, BMW and Audi (BBA) grew rapidly in the Chinese market, and continued the trend of 2020. In the first half of this year, Mercedes-Benz sold 442,000 automobiles in China, representing an increase of 27.6% year on year. In the second half of this year, Mercedes-Benz will introduce a new generation of C-level model with long wheelbase, which is expected to become another growth point for the sales volume of Mercedes-Benz this year. In the first half of this year, BMW (including MINI) sold 467,000 automobiles in China, representing an increase of 41.9% year on year, which reflected that the Chinese market was still the best-selling market of BMW. In the first half of this year, Audi sold 418,000 automobiles in China, representing an increase of 38.6% year on year. The Audi brand continued to deepen the “fuel + electric” dual-line deployment, and completed the launch of as many as 11 new products. Next, the Audi brand will also launch a number of star products, including the pure electric flagship models e-tron GT and Q4 e-tron, to better meet market needs. In addition, according to insurance data, the number of newly insured automobiles of Lexus and Cadillac in the first half of this year was 122,900 units and 118,500 units, respectively, representing an increase of 27.1% and 45.6% year on year, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Behind the collectively explosive growth in the sales volume of luxury brands is that the Chinese automobile market has entered the stage of additional purchase and replacement after 20 years of rapid development. Meanwhile, the threshold for luxury automobiles has been reducing, which has also greatly expanded the potential user base. Affected by the Pandemic, more overseas tours have been replaced with domestic self-driving tours. Many families need to be equipped with new cars with large space and good performance for self-driving tours, and new purchase and replacement demands will also emerge in the near future. The sustained and healthy development of luxury cars brought strong impetus to the steady development of China's automobile market in the medium and long term.

In addition, the new energy vehicle market developed rapidly in the first half of 2021, with a sales volume of nearly 1.08 million units, representing an increase of more than two times as compared with the corresponding period last year. Under the situation of ongoing Pandemic prevention and control, travel by passenger vehicle has become an important guarantee for travel safety, and replacement and new purchase of automobiles and other demands of consumption upgrading has driven the new car and used car market to strengthen constantly. According to the data released by the China Automobile Dealers Association, in the first half of 2021, the trading volume of used passenger vehicles continued to grow to 8.43 million units, representing an increase of 52.9% year on year. Affected by removal of the restriction on registration of used cars, substantial reduction of value-added tax on used cars, and gradual implementation of inter-provincial government services for used car transfer and registration in various regions, it is expected that the domestic automobile market will enter the peak period of replacement, and the used car market will usher in huge opportunities for development.

According to the forecast of the CPCA, the shortage of automobile chips will be alleviated in the third quarter of 2021, and the chip supply will gradually recover. With the acceleration of vaccination, the domestic Pandemic prevention and control has entered a new stable stage, and the domestic sales volume of passenger cars is expected to continue to grow more rapidly.

China's Car Ownership Volume Continued to Grow, and the Automobile Aftermarket Increased Strongly

According to the statistics of the Ministry of Public Security of China, as at June 2021, China's motor vehicle ownership volume reached 384 million units, of which the car ownership volume was 292 million units; and there were 469 million motor vehicle drivers, of which 431 million are car drivers. In the first half of 2021, the number of newly registered motor vehicles in China amounted to 18.71 million units, representing an increase of 4.57 million units or 32.33% as compared with the same period last year; and an increase of 3.589 million units or 23.74% as compared with the first half of 2019, hitting a record high for the same period. The number of newly registered cars amounted to 14.14 million units, representing an increase of 3.725 million units or 35.76% as compared with the same period last year; and an increase of 1.724 million units or 13.88% as compared with the first half of 2019. As at the end of June 2021, there were 74 cities with car ownership volume of more than 1 million units in China, representing an increase of 5 cities year on year, 33 cities with car ownership volume of more than 2 million units and 18 cities with more than 3 million units, indicating that the automobile aftermarket grew strongly.

BUSINESS AND OPERATIONAL REVIEW

In 2021, the Group was guided by annual goals to optimise its database of operating indicators, conduct benchmarking management through key monthly/quarterly KPI indicators, and promote the improvement of such indicators through comprehensive process management, with a view to constantly transcending itself, surpassing benchmarks, and striving for excellence. While continuing to focus on the operation of core luxury and ultra-luxury brand 4S stores, the Group also increased its attention to new energy vehicles and continuously strengthened the business development and layout of new energy vehicles. In 2021, the Group initiated “big competition” activities at each core business position to improve the technical skills and professional qualities of personnel at each position by participating competition instead of training. Thanks to the concerted efforts of all staff of the Group, in the first half of 2021, the performance of brand stores of the Group was better than expected, and various indicators improved significantly as compared with the same period last year.

New Auto Sales Business

According to the industry data of the first half of 2021, China’s automobile market has entered a stage where replacement and upgrading are the main purchasing power. In the process of transition from incremental market to stock market, luxury brands will become the biggest beneficiaries of the era dividend. In the first half of 2021, the sales volume of each store of the Group’s luxury brands increased significantly, of which the Audi brand increased by 41%, the Lexus brand increased by 48%, and the BMW brand increased by 57%, all exceeding the regional growth rate.

In the first half of 2021, the Group’s sales volume of new energy vehicles increased significantly by 66.13% year on year (mainly new energy vehicles of traditional brands). The Group keeps pace with the times. In addition to continuing to focus on the core luxury automobile sales business, the Group will also continue to monitor the changes in domestic and foreign markets, and will regard the sales of new energy vehicles as its next strategic development emphasis.

The Group strengthened the predictive analysis on the supply and demand plan for sales of inventory, continuously optimised inventory structure, enhanced refined management, improved operating efficiency, and adapted to market changes to meet customer needs. The Group’s inventory turnover rate was comprehensively improved, and the average inventory turnover days decreased to 31.1 days in the first half of 2021 from 38.4 days in 2020. In the second half of this year, the Group will continue to monitor the changes in domestic and foreign markets, and the supply and demand conditions, and improve its operating efficiency to reduce its operating costs.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group further devoted efforts to the promotion of the use of short video platforms such as Douyin in each operating store, and combined traditional sales models with new media through live video, online automobile sales, etc., so as to seek sales opportunities, expand store visibility, and produce their own sales network celebrities and business elites of each store.

In the first half of 2021, the Group realised a sales volume of new automobiles of 17,477 units, representing an increase of 31.4% as compared with 13,296 units of the same period in 2020, and generated revenue from sales of new automobiles of RMB5,276.2 million, representing an increase of 33.6% as compared with RMB3,950.2 million of the same period in 2020.

After-sales Services Business

As the automobile aftermarket becomes increasingly competitive, customer retention is the top priority at present. On the one hand, the Group further strengthened customer management, improved customer retention rate, attracted customers back to the factory, enhanced customer stickiness, and reinforced the assessment of key indicators on customer management; on the other hand, the Group reshaped its after-sales brand image through prior technical diagnosis, remade the service process, and strengthened the technical advantages of after-sales service to improve customer experience. As for marketing, the Group promoted and increased the marketing efforts on insurance renewal to improve the penetration rate of insurance renewal, which ensured the continuous growth of the sheet spray business. In the second half of this year, the Group will also conduct exchange and training on management and control procedures and diagnostic technicians according to the implementation of prior diagnosis projects in each store, so as to further improve the overall professional skill and customer satisfaction.

In the first half of 2021, the Group's revenue from after-sales services amounted to RMB639.6 million, representing an increase of 30.3% as compared with RMB490.7 million of the same period in 2020; in terms of gross profit, despite the overall complex market environment, it still achieved RMB280.1 million, representing an increase of 29.2% as compared with RMB216.8 million of the same period in 2020.

Decoration Business

In the first half of 2021, in respect of decoration business, the Group enhanced the professional ability of employees of the decoration department through training, improved customer satisfaction, and continuously introduced high-tech products to meet individual needs. Meanwhile, the Group strengthened the automobile decoration projects with high profit, and the penetration rate of automobile decoration projects increased from 6% last year to 8% this year. Overall, the Group has clearly defined the positioning of decoration business as a derivative auxiliary to create more benefits for the Group.

Used Car Business

In the first half of 2021, the Group further improved the standardised business process for the used car business, strengthened staff training and process control and inspection to strictly prevent all business loopholes and risks. In addition, the Group continued to enhance replacement and customer service in respect of the used car business, as well as the brand management of used car appraisal of the Group. In the first half of 2021, the Group's trading volume and replacement rate of used cars increased significantly as compared with the corresponding period in 2020. In the second half of this year, the Group will continue to strengthen the process management of the used car business, and continue to increase the replacement rate to expand the retail scale of used cars.

Brand Development and Network Expansion

The Group continued to strengthen the network layout and share of luxury brands to capture the period of development dividend of luxury brand market. On the basis of sound operation of its existing brand management network, the Group actively adapted to the market direction and development changes, continued to cooperate with major automobile suppliers of popular brands in China, and obtained more brand automobile dealership authorisation in advantageous regions, the Group's brand structure was therefore further optimised and improved.

In the first half of 2021, in accordance with the brand network development plan, the Group accelerated the establishment of new stores and achieved phased results. In the first half of 2021, the Group obtained the authorisation of three sale points in Linxia, Beijing and Xi'an, of which the Linxia GAC Toyota store officially commenced operation in June 2021, and the Wuhan BMW store authorised last year was also put into operation in August 2021. This will further improve the coverage of the Group's brand sale points, and enhance the Group's influence in key regions and markets, so as to provide support for its future development. In particular, the BMW store in Wuhan will lay a solid foundation for the Group's deployment in Central China, connecting with Eastern China and extending in Southern China.

As at 30 June 2021, the Group had 38 sale points in operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the Period was RMB6,124.5 million, representing an increase of RMB1,683.6 million or 37.9% as compared to that for the corresponding period in 2020. Of which, revenue arising from the sales of new automobiles was RMB5,276.2 million, representing an increase of RMB1,326.0 million or 33.6% as compared to that for the corresponding period in 2020. The increase in revenue from the sales of new automobiles was mainly attributable to the increase in the sales volume of new vehicles. Revenue from after-sales services was RMB639.6 million, representing an increase of RMB148.9 million or 30.3% as compared to that for the corresponding period in 2020. The increase in revenue from after-sales services was mainly attributable to the increase in customer retention. In addition, revenue from the sales of used cars was RMB208.7 million (same period in 2020: Nil). A substantial portion of the revenue of the Group was generated from sales of new automobiles, accounting for 86.1% of the revenue for the Period (same period in 2020: 89.0%). Besides, revenue generated from after-sales services business accounted for 10.4% of the revenue for the Period (same period in 2020: 11.0%). Revenue of the Group was mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the Group's revenue and relevant information (other than those of the sales of used cars) for the periods indicated:

	For the six months ended 30 June/unaudited					
	2021			2020		
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	4,576,035	12,663	361	3,418,630	9,616	356
Mid-end market brands	700,140	4,814	145	531,611	3,680	144
Sub-total (Average)	5,276,175	17,477	302	3,950,241	13,296	297
After-sales services	639,620			490,692		
Total	5,915,795			4,440,933		

Cost of Sales and Services

Cost of sales and services for the Period was RMB5,641.2 million, representing an increase of RMB1,514.5 million or 36.7% as compared to that for the corresponding period in 2020. Cost of sales of new automobiles for the Period was RMB5,082.2 million, representing an increase of RMB1,229.4 million or 31.9% as compared to that for the corresponding period in 2020. The increase in cost of sales of new automobiles was mainly attributable to the increase in the sales volume of new automobiles. Cost of after-sales services for the Period was RMB359.5 million, representing an increase of RMB85.6 million or 31.3% as compared to that for the corresponding period in 2020. The increase in cost of after-sales services was mainly attributable to the increase in customer retention. In addition, cost of sales of used cars for the Period was RMB199.5 million (same period in 2020: Nil).

Gross Profit

Gross profit for the Period was RMB483.3 million, representing an increase of RMB169.0 million or 53.8% as compared to that for the corresponding period in 2020. Of which, gross profit of sales of new automobiles was RMB193.9 million, representing an increase of RMB96.4 million or 98.9% as compared to that for the corresponding period in 2020; gross profit of after-sales services business was RMB280.1 million, representing an increase of RMB63.3 million or 29.2% as compared to that for the corresponding period in 2020. Gross profit of after-sales services for the Period accounted for 58.0% of the total gross profit (corresponding period in 2020: 69.0%). Gross profit of sales of used cars was RMB9.2 million (same period in 2020: Nil).

Gross profit margin for the Period was 7.9% (corresponding period in 2020: 7.1%).

MANAGEMENT DISCUSSION AND ANALYSIS

Other Net Income and Gains

Other net income and gains mainly consist of commission income from automobile insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, proceeds from the disposal of the minority interests in a company which was not engaged in main business, and interest income.

Other net income and gains for the Period amounted to RMB236.8 million, representing an increase of RMB156.8 million as compared with RMB80.0 million for the corresponding period in 2020. The increase was mainly due to: 1) the proceeds from the disposal of the minority interests in a company which was not engaged in main business (please see the announcement of the Company dated 17 May 2021 for details); and 2) the increase in commission income from automobile financing agency business as compared with the same period in 2020.

Selling and Distribution Expenses

Selling and distribution expenses for the Period amounted to RMB242.8 million, representing an increase of 42.3% as compared with RMB170.6 million for the corresponding period in 2020, mainly due to the advertising and promotion expenses and sales staff salaries arising from the increase in the sales of automobiles, and the increase in depreciation and amortization expenses for newly opened stores. As a percentage of revenue, the selling and distribution expenses increased as compared with the corresponding period last year, increased from 3.8% for the corresponding period last year to 4.0% for the Period, up by 0.2 percentage point.

Administrative Expenses

Administrative expenses for the Period amounted to RMB136.7 million, representing an increase of 34.4% as compared with RMB101.7 million for the corresponding period in 2020, mainly due to the increase in compensation of management personnel and the increase in administrative expenses for newly opened stores as compared with the corresponding period last year. As a percentage of revenue, the administrative expenses decreased as compared with the corresponding period last year, decreased from 2.3% for the corresponding period last year to 2.2% for the Period, representing a decrease of 0.1 percentage point.

Finance Costs

Finance costs for the Period amounted to RMB47.8 million, representing a decrease of 7.0% as compared with RMB51.4 million for the same period in 2020. The decrease was mainly due to the decrease in the scale of current borrowings as compared with the corresponding period in 2020 as a result of the application of the steady cash flow from operating activities to repay bank loans and other borrowings, as well as adherence to digital demand analysis and effective fund management, resulting in the improvement in the efficiency of fund use.

Profit before Tax

As a result of the foregoing, profit before tax for the Period amounted to RMB292.8 million, representing an increase of 314.7% as compared with RMB70.6 million for the corresponding period in 2020.

Income Tax Expense

Income tax expense for the Period amounted to RMB72.2 million, representing an increase of 199.6% as compared with RMB24.1 million for the corresponding period in 2020. The effective income tax rate of the Group for the Period was approximately 24.7% (corresponding period in 2020: 34.2%).

Profit for the Period

As a result of the foregoing, profit for the Period was RMB220.6 million, representing an increase of 374.4% as compared with RMB46.5 million for the corresponding period in 2020.

Profit for the Period Attributable to Owners of the Parent

For the Period, profit for the period attributable to owners of the parent was RMB220.6 million, representing an increase of 374.4% as compared with RMB46.5 million for the corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the Period, the Group's net cash inflow generated from operating activities was RMB219.4 million, as compared with its net cash inflow generated from operating activities of RMB178.8 million for the six months ended 30 June 2020. The increase in net cash inflow from operating activities was mainly attributable to the increase in gross profit from operations and the accelerated sales progress.

For the Period, the Group's net cash outflow for investing activities was RMB104.8 million, as compared with its net cash outflow for investing activities of RMB60.4 million for the six months ended 30 June 2020.

For the Period, the Group's net cash outflow for financing activities was RMB75.8 million, as compared with its net cash outflow for financing activities of RMB156.7 million for the six months ended 30 June 2020. The decrease in the net cash outflow for financing activities was mainly attributable to the decrease in net outflows of proceeds from bank loans and other borrowings for the Period.

Net Current Assets

As at 30 June 2021, the Group's net current assets amounted to RMB788.1 million, as compared to its net current assets of RMB351.9 million as at 31 December 2020.

Inventories

The Group's inventories primarily consist of new automobiles, spare parts and decoration accessories. As at 30 June 2021, the Group's inventories amounted to RMB882.6 million, representing a decrease of 2.0% as compared with RMB900.4 million as at 31 December 2020, which was mainly attributable to the higher inventory turnover rate as a result of the accelerated sales of new vehicles.

In the first half of 2021, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 180 days) were 31.1 days, representing a significant decrease as compared with 38.4 days in 2020, mainly attributable to the continuously enhanced inventory management and the accelerated sales progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Loans and Other Borrowings

As at 30 June 2021, the Group's bank loans and other borrowings were RMB1,902.0 million, representing an increase of 2.2% as compared with RMB1,860.3 million as at 31 December 2020.

The following table sets forth the Group's bank loans and other borrowings as at the dates indicated:

	30 June 2021 Unaudited		31 December 2020 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT				
Bank loans	3.5-5.8	1,084,913	3.3-6.7	1,256,945
Other borrowings	3.0-8.6	283,860	3.0-8.6	406,011
Sub-total		1,368,773		1,662,956
NON-CURRENT				
Bank loans	3.5-5.9	533,187	3.5-6.7	192,626
Other borrowings		–	4.5	4,750
Sub-total		533,187		197,376
Total		1,901,960		1,860,332
Among which:				
Secured loans		1,655,459		1,662,610
Unsecured loans		246,501		197,722
Total		1,901,960		1,860,332

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 38.7% (2020: 42.5%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits.

Pledge of Assets

As at 30 June 2021, certain of the Group's bank loans were secured by charges or pledges over our assets. The Group's assets subject to these charges or pledges as at 30 June 2021 consisted of: (i) inventories amounting to RMB509.7 million; (ii) property, plant and equipment amounting to RMB364.7 million; (iii) land use rights amounting to RMB195.1 million; (iv) construction in progress amounting to RMB246.0 million; and (v) pledged bank deposits amounting to US\$8.6 million (equivalent to RMB55.8 million) and RMB2.3 million.

As at 30 June 2021, certain of the Group's inventories amounting to RMB141.0 million and pledged bank deposits amounting to RMB300.1 million were pledged as securities for bills payable.

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the six months ended 30 June 2021, the Group's total capital expenditures were RMB168.8 million, representing an increase of approximately RMB67.6 million as compared with RMB101.2 million for the six months ended 30 June 2020.

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees.

Principal Risks

The Group's exposure to the risk of changes in market interest rates is primarily related to the Group's long-term debt obligation with a floating interest rate. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's main businesses are located in Mainland China and all the transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US\$ and HK\$ and certain bank loans denominated in HK\$.

The Group's assets and liabilities denominated in US\$ and HK\$ were mainly held by the Company's certain subsidiaries incorporated outside Mainland China which had US\$ and HK\$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the Period. Therefore, the Group had immaterial foreign currency risk.

Although the global Pandemic has not demonstrated any softening signs, with the increase in vaccination rates, China's achievements in Pandemic prevention and control have been consolidated, and the domestic economy has maintained a stable recovery. The Group has deemed Pandemic prevention and control as a normal work, fully considered various Pandemic risks in its daily operations, established a plan and management mechanism, and actively responded to the national call to organise employees for vaccination in batches. Although the Pandemic recurred occasionally in some parts of China, it actually had no material impact on the business operations and financial results of the Group for the Period. The Group will seize the challenges and opportunities arising from the complex external environment and market changes to promote stable and rapid business development.

Staff Cost and Employee Remuneration Policies

As at 30 June 2021, the Group had 3,354 employees. Staff cost of the Group increased by 38.8% from RMB124.1 million for the six months ended 30 June 2020 to RMB172.2 million for the Period, which was mainly attributable to the increase in the number of employees as well as the increase in performance-based bonus paid to employees as a result of the increased sales volume and gross profit. The Group is committed to providing a good working environment, diversified training programs and attractive compensation packages to the employees, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to maintain the rapid development of the Group's network, the Group also continues to build up its quality talent pool and prudently manage its human resources and makes corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and teambuilding. Regular trainings in respect of business skills, expertise and professional attributes have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals

On 19 January 2021, Shaanxi Sunfonda Automobile Technology Development Co., Ltd.* (陝西新豐泰汽車技術開發有限公司) (“**Shaanxi Sunfonda ATD**”), an indirect wholly-owned subsidiary of the Company, entered into an equity acquisition agreement with Mr. YAN Yaping (閔亞平) and Ms. HUI Juan (惠娟) (“**Mr. YAN and Ms. HUI**”), pursuant to which, Shaanxi Sunfonda ATD agreed to acquire, and Mr. YAN and Ms. HUI agreed to dispose of 100% equity interests in Weinan Haizhong Car Sales Services Co., Ltd.* (渭南海眾汽車銷售服務有限公司) (“**Weinan Haizhong**”), with the aggregate consideration of RMB24.70 million (the “**Weinan Acquisition**”). The industrial and commercial registration of changes in respect of the Weinan Acquisition was completed on 29 January 2021, and Weinan Haizhong has become an indirect wholly-owned subsidiary of the Company. For details of the Weinan Acquisition, please refer to the voluntary announcement of the Company dated 19 January 2021.

On 10 May 2021, Shaanxi Sunfonda ATD entered into an equity transfer agreement with Xi’an Longbing Real Estate Co., Ltd.* (西安龍秉置業有限公司) (“**Xi’an Longbing**”), pursuant to which, Shaanxi Sunfonda ATD has agreed to purchase, and Xi’an Longbing agreed to dispose of 75% equity interest in Lanzhou Fengtai Rongjia Trading Co. Ltd. (“**Lanzhou Fengtai**”) held by Xi’an Longbing at a consideration of RMB22.50 million (the “**Lanzhou Acquisition**”). The industrial and commercial registration of changes in respect of the Lanzhou Acquisition was completed on 19 May 2021, and Lanzhou Fengtai has become an indirect wholly-owned subsidiary of the Company. For details of the Lanzhou Acquisition, please refer to the announcement of the Company dated 10 May 2021.

On 17 May 2021, each of the transferors, i.e Shaanxi Sunfonda Shangzhong Automobile Sales Service Co., Ltd.* (陝西新豐泰尚眾汽車銷售服務有限公司), Shaanxi Sunfonda ATD, Shaanxi Sunfonda Huixiang Automobile Sales Service Co., Ltd.* (陝西新豐泰匯翔汽車銷售服務有限公司), Suzhou Sunfonda Automobile Sales Services Co., Ltd.* (蘇州新豐泰汽車銷售服務有限公司), Suzhou Sunfonda Toyota Automobile Sales Services Co., Ltd.* (蘇州新豐泰豐田汽車銷售服務有限公司) and Yinchuan Shunchi Lujie Automobile Sales Service Co., Ltd.* (銀川順馳路捷汽車銷售服務有限公司) (collectively called the “**Transferors**”), all being indirect wholly-owned subsidiaries of the Company, entered into the equity transfer agreements with Xi’an Longbing and Xi’an Qinrui Real Estate Co., Ltd.* (西安秦睿置業有限公司) (“**Xi’an Qinrui**”), pursuant to which, the Transferors agreed to dispose of, and Xi’an Longbing agreed to purchase an aggregate of 25% equity interests in Xi’an Qinrui held by the Transferors at a total consideration of RMB152,704,450 (the “**Disposal**”). The industrial and commercial registration of changes in respect of the Disposal was completed on 25 May 2021, and the Transferors no longer hold any equity interest in Xi’an Qinrui. For details of the Disposal, please refer to the announcement of the Company dated 17 May 2021.

Save as the above, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures for the Group during the Period.

* denotes English translation of the name of a Chinese company, and is provided for identification purposes only

FUTURE STRATEGY AND PROSPECTS

To Optimise and Improve the Brand Structure, and Expand the Group's Business Map Across China While Consolidating Its Presence in Northwestern China

In response to the changing automobile market, the Group will closely monitor the market environment, continue to adjust and improve the Group's brand structure, and focus on the development of luxury brands, such as Porsche, Lexus, Mercedes-Benz, BMW, Audi and Toyota joint venture brands and other dominant car brands with high market recognition and high consumer satisfaction. In addition, the Group will further expand its radiation area to develop a nationwide network, in which the key area will be centered in Shaanxi to cover all central cities in Northwestern China; deeply cultivate Jiangsu Province which has great potential for consumption upgrading and gradually make deployment in the surrounding key cities.

To Promote the Construction of the "FUN TIME LANE" Automobile Fashion Street Zone Project in an Orderly Manner and Diversify the Group's Industrial Structure

In the long run, the Group is optimistic about the development of dual-circulation economy and domestic consumption upgrading. To leverage on its resource advantages in the automobile industry for many years, and highlight the theme of automobile characteristics, the Group has innovatively built the "FUN TIME LANE" automobile fashion street zone project that integrates automobile sales with other business patterns, thereby achieving growth in both scale and benefits through such an innovative business model. At present, the Group has built two "FUN TIME LANE" projects in Xi'an and Lanzhou, and has been accelerating the construction of the Xi'an-based project in 2021, which is expected to be completed and put into operation in 2022. At that time, it will produce echoing harmony with the Sunfonda Chanba Automobile Park which is located at the south side of Ouya No. 1 Road, and create automobile business aggregation effects by contiguously developing the street zone adjacent to Ouya Avenue and the northeast side of Beichen Avenue. At the same time, the Lanzhou-based project will go through relevant application procedures for construction and enter the stage of project construction, which is expected to be completed and put into operation in 2022. The successive completion and operation of the two "FUN TIME LANE" projects in Xi'an and Lanzhou will consolidate the Group's leading position in Northwestern China, help to constantly optimise and enhance its industrial structure and comprehensive competitiveness, and provide strong support for the development and enhancement of the principal business.

The business model of the "FUN TIME LANE" automobile fashion street zone project has also been recognised and supported by all stakeholders, in addition to accelerating the construction of the "FUN TIME LANE" automobile fashion street zone projects in Xi'an and Lanzhou, the Group will also aggressively promote the deployment of such project in other advantageous regions of the country. Looking ahead, the Group will forge a more diversified industrial structure and further demonstrate its comprehensive competitive strengths.

MANAGEMENT DISCUSSION AND ANALYSIS

To Implement Intelligent System Management and Further Enrich the Functions of Membership Center

The Group will continue to focus on intelligent system management. As of June 2021, the Group has gradually realised and improved the systematic management of inbound customers, online clues, materials and gifts, which has significant advantages in strengthening the Group's management and control of customer inbound data and online platform clues, and adjusting online and offline allocation. The Group plans to further realise the visualised and systematic management of offline activities and marketing costs in the second half of 2021.

At the same time, in order to better serve its customers, Xi'an Sunfonda Automobile Technology Development Co., Ltd. ("**Taiai Auto Technology**"), a high-tech subsidiary of the Group, focused on the marketing conversion of online customers in the first half of 2021. As at the end of June 2021, the Group's self-developed "Sunfonda Group Membership Center" (the "**Membership Center**") mini program has accumulated 0.18 million registered users. In the Membership Center, features such as intelligent access, online model introduction, work hours-based appointment and automatic reminders, have recorded an accumulative push services of one million users. In order to explore opportunities for used car sales and replacement business while retaining customers, the Group officially launched a used car zone in the Membership Center in April 2021, which collects the car sources of the Group across the country, and assists customers in online inquiries and sales of used cars based on more than 200,000 customers in the Membership Center, thereby realising integrated online and offline development of used cars. Meanwhile, in order to serve the aftermarket car service, Taiai Auto Technology cooperated with well-known online refueling platforms in China to launch online discounted refueling products, on which customers can easily find the latest local information and market activities on used cars of the Group while enjoying convenient and affordable services. The Group plans to introduce certain projects such as preferential refueling in the second half of 2021, which will further improve the membership service system and increase business scale and operating efficiency. In the future, the Group will take it as a model to gather more car using scenarios of customers, and provide stable and reliable multi-channel resources, so as to achieve traffic sharing and significant increase in value.

To Provide Sponsored Vehicles for the National Games in Xi'an to Facilitate the High-quality Development of the Economic, Cultural and Sports Undertakings of the Whole Province

As set out in the Draft Plan for National Economic and Social Development in 2021 (《2021年國民經濟和社會發展計劃草案》), 2021 marks the 100th anniversary of the founding of the Communist Party of China (the “CPC”), the beginning of the “14th Five-Year Plan” and the year of the National Games. The National Games is the largest comprehensive games in China, which is held every four years. The 14th National Games will be held in Xi'an City, Shaanxi Province. At present, Xi'an, a core base of the Group's business operation, is facing certain major historical opportunities such as the construction of the “Belt and Road”, the promotion of the large-scale development of the western region to form a new pattern in the new era, the ecological protection and high-quality development of the Yellow River Basin, the construction of a national central city, the preparation of the “14th National Games”, etc. In particular, the General Secretary Xi Jinping's visit to Shaanxi has injected strong endogenous power and innovative vitality into Xi'an's economic and social development. In the future, Xi'an will concentrate on the “Three Major Things” including holding the 14th National Games, promoting the ten key tasks to achieve new breakthroughs, and effectively carrying out Pandemic prevention and control without any letup, and will devote every effort to promoting high-quality economic development, so as to achieve remarkable results to celebrate the 100th anniversary of the founding of the CPC.

The forthcoming National Games will be an important window for Xi'an's external publicity and communication, through which the municipal infrastructure construction and image will be further enhanced. It can be predicted that the forthcoming National Games will have a lasting and profound influence on the enhancement of regional value of Xi'an City, which will certainly and continuously improve the investment environment and business environment of Xi'an, and play a huge role in promoting the optimisation of economic structure and the realisation of high-quality development in Xi'an. The Group actively responds to the calls of local governments to support local projects, such as providing operation service of reception vehicles for the executive committee of the 14th National Games, which will provide support for the smooth holding of the 14th National Games, so as to promote the prosperity of Shaanxi's economic, cultural and sports undertakings.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EQUITY INTEREST

As at 30 June 2021, the authorized share capital of the Company was US\$100,000 divided into 1,000,000,000 shares, of which 600,000,000 shares were issued and credited as fully paid.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests of the directors of the Company (the "Director(s)") in the shares of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Interests and short positions in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	421,240,800 (L)	70.21%
		2	20,000,000 (S)	3.33%
Ms. Chiu Man	Interest held by controlled corporations	1	421,240,800 (L)	70.21%
		2	20,000,000 (S)	3.33%
Mr. Gou Xinfeng	Beneficiary of a trust Beneficial owner	3	30,000 (L)	0.01%**
			170,000 (L)	0.03%**
			200,000 (L)	0.03%**
Ms. Chen Wei	Beneficiary of a trust Beneficial owner	4	26,000 (L)	0.00%**
			138,000 (L)	0.02%**
			164,000 (L)	0.03%**

(L): Long position (S): Short position

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) These shares are held as to 417,000,000 shares by Top Wheel Limited ("**Top Wheel**") and 4,240,800 shares by Westernrobust Company Limited ("**Westernrobust**").

The issued share capital of Top Wheel is owned as to 70% by Golden Speed Enterprises Limited ("**Golden Speed**"), a corporation wholly-owned and controlled by Mr. Wu Tak Lam, and 30% by Win Force Enterprises Limited ("**Win Force**"), a corporation wholly-owned and controlled by Ms. Chiu Man. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are deemed to be interested in the 417,000,000 shares held by Top Wheel pursuant to Part XV of the SFO.

The entire issued share capital of Westernrobust is owned by a revocable discretionary trust (the "**Management Trust**") established for the purposes of recognizing and rewarding the contribution and performance of certain directors and senior management of the Group pursuant to the Pre-IPO Share Award Scheme adopted by the Company on 8 January 2014 (the "**Pre-IPO Share Award Scheme**"). Top Wheel is the settlor of the Management Trust and possesses all voting rights attached to the unawarded shares and awarded shares which have not been vested under the Management Trust. Thus, the Management Trust and Top Wheel are deemed to be interested in the 4,240,800 shares held by Westernrobust. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are also deemed to be interested in the 4,240,800 shares of the Company held by Westernrobust pursuant to Part XV of the SFO.

- (2) On 19 November 2020, Top Wheel, a company wholly and beneficially owned by Mr. Wu Tak Lam and Ms. Chiu Man, entered into two option agreements with Asian Equity Special Opportunities Portfolio Master Fund Limited ("**AESOP**"), pursuant to which, Top Wheel has agreed to grant (i) a call option (the "**Option I**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option I Shares**") held by Top Wheel, with the exercise price of HK\$1.60 per Option I Share and exercise period of two years from the date of the grant of the Option I; and (ii) a call option (the "**Option II**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option II Shares**") held by Top Wheel, with the exercise price of HK\$2.98 per Option II Share and exercise period of three years from the date of the grant of the Option II. For details, please refer to the Company's announcement dated 19 November 2020.

- (3) Mr. Gou Xinfeng is deemed to be interested in these 30,000 awarded shares, which have been granted to him (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

- (4) Ms. Chen Wei is deemed to be interested in these 26,000 awarded shares, which have been granted to her (but not yet vested) pursuant to the Pre-IPO Share Award Scheme.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2021.

** As the figures are the results of rounding adjustments, there is a discrepancy after aggregating the figures.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(B) Long positions in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Capacity/Nature of interest	Number of shares	Approximate percentage* of shareholding in the associated corporation
Golden Speed Enterprises Limited	Mr. Wu Tak Lam	Beneficial owner	1	100%
	Ms. Chiu Man	Interest of spouse	1	100%
Top Wheel Limited	Mr. Wu Tak Lam	Interest held by a controlled corporation	14,000	70%
		Interest of spouse	6,000	30%
			20,000	100%
	Ms. Chiu Man	Interest held by a controlled corporation	6,000	30%
		Interest of spouse	14,000	70%
			20,000	100%

Note: Mr. Wu Tak Lam holds the entire issued share capital of Golden Speed which holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu Man (an executive director of the Company), through her wholly-owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of issued shares of the associated corporation as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following corporations had interests of 5% or more of the issued share capital of the Company which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	417,000,000 (L)	69.50%
			20,000,000 (S)	3.33%
	Founder of a discretionary trust	1	4,240,800 (L)	0.71%
			421,240,800 (L)	70.21%
			20,000,000 (S)	3.33%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	421,240,800 (L)	70.21%
			20,000,000 (S)	3.33%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	421,240,800 (L)	70.21%
			20,000,000 (S)	3.33%
RAYS Capital Partners Limited	Investment manager Unlisted derivative interest		22,112,000 (L)	3.69%
			20,000,000 (L)	3.33%
		2	42,112,000 (L)	7.02%
RUAN David Ching Chi	Interest held by a controlled corporation Unlisted derivative interest		22,112,000 (L)	3.69%
			20,000,000 (L)	3.33%
		2	42,112,000 (L)	7.02%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner Unlisted derivative interest		22,076,000 (L)	3.68%
			20,000,000 (L)	3.33%
		2	42,076,000 (L)	7.01%

(L): Long position (S): Short position

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The above interests of Top Wheel, Win Force and Golden Speed were also disclosed as the interests of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
 - (2) Asian Equity Special Opportunities Portfolio Master Fund Limited is wholly-owned by RAYS Capital Partners Limited, which is in turn owned as to 45.60% by Ruan David Ching Chi. Accordingly, Ruan David Ching Chi is deemed to be interested in the equity interest of the Company owned by RAYS Capital Partners Limited and Asian Equity Special Opportunities Portfolio Master Fund Limited by virtue of the SFO.
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 January 2014, the Company's adoption of a share option scheme was approved by the then shareholders (the "**Share Option Scheme**") for the purposes of recognizing and acknowledging the contributions of the qualified participants, attracting skilled and experienced personnel in order to incentivize them to remain with the Company and motivate them to strive for the future development and expansion of the Group.

As at the date of this report, no share options were granted by the Company under the Share Option Scheme.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. 9,000,000 shares of the Company, representing 1.5% of the issued shares of the Company as at the date of this report, were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. As at 30 June 2021, the Company has granted an aggregate of 5,254,400 shares to grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme are disclosed in the Company's Prospectus and Note 16 to the interim condensed consolidated financial statements.



CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare the distribution to shareholders of the Company of an interim dividend of HK\$0.05 (equivalent to approximately RMB0.04) per ordinary share for the six months ended 30 June 2021 in an aggregate amount of RMB25.0 million.

The interim dividend will be paid on Monday, 20 September 2021 to shareholders whose names appear on the register of members of the Company at the close of market on Wednesday, 8 September 2021. Therefore, the register of members of the Company will be closed from Monday, 6 September 2021 to Wednesday, 8 September 2021 (both days inclusive). In order to be entitled to the interim dividend, unregistered holders of shares of the Company should ensure that the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 3 September 2021.

CORPORATE GOVERNANCE

The Board believes effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board is of the view that, during the six months ended 30 June 2021, the Company has complied with the code provisions set out in the CG Code.

UPDATE ON DIRECTOR'S INFORMATION

Since the publication of the Company's 2020 annual report, no changes in directors' information should be disclosed according to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2021, the Group was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

EVENTS AFTER THE PERIOD

There was no significant subsequent event undertaken by the Group after 30 June 2021 that need to be disclosed.

AUDIT COMMITTEE

The audit committee under the Board (the "**Audit Committee**") has reviewed the accounting standards and practices that the Company adopted, and discussed matters related to risk management, internal control and financial reporting. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The Audit Committee has reviewed the Company's 2021 interim report and the announcement of interim results and unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules, as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all of them confirmed that they had complied with the Model Code throughout the six months ended 30 June 2021.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employees" include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Revenue	4(a)	6,124,511	4,440,933
Cost of sales and services	5(b)	(5,641,241)	(4,126,671)
Gross profit		483,270	314,262
Other income and gains, net	4(b)	236,802	80,048
Selling and distribution expenses		(242,779)	(170,573)
Administrative expenses		(136,735)	(101,697)
Profit from operations		340,558	122,040
Finance costs	6	(47,765)	(51,424)
Profit before tax	5	292,793	70,616
Income tax expense	7	(72,174)	(24,144)
Profit for the period		220,619	46,472
Attributable to:			
Owners of the parent		220,619	46,472
Earnings per share attributable to ordinary equity holders of the parent	9		
Basic and diluted (RMB)		0.37	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
PROFIT FOR THE PERIOD	220,619	46,472
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	(19,243)	(3,030)
Total comprehensive income for the period, net of tax	201,376	43,442
Attributable to:		
Owners of the parent	201,376	43,442

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Notes	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,319,119	1,296,304
Right-of-use assets		722,104	640,537
Intangible assets		10,507	11,034
Prepayments		21,620	28,420
Goodwill		10,284	10,284
Deferred tax assets		29,051	48,654
Total non-current assets		2,112,685	2,035,233
CURRENT ASSETS			
Inventories	10	882,635	900,432
Trade receivables	11	36,134	38,822
Prepayments, deposits and other receivables	12	852,418	841,069
Amounts due from a related party	20(b)	6,700	7,890
Pledged bank deposits		355,848	378,523
Cash in transit		24,700	16,390
Short-term deposits		124,337	100,538
Cash and cash at banks		755,354	717,362
Total current assets		3,038,126	3,001,026
CURRENT LIABILITIES			
Bank loans and other borrowings	13	1,368,773	1,662,956
Trade and bills payables	14	468,190	596,764
Other payables and accruals		354,747	353,145
Lease liabilities		8,040	7,277
Income tax payable		50,286	29,007
Total current liabilities		2,250,036	2,649,149
NET CURRENT ASSETS		788,090	351,877
TOTAL ASSETS LESS CURRENT LIABILITIES		2,900,775	2,387,110

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Notes	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	13	533,187	197,376
Lease liabilities		30,878	13,572
Deferred tax liabilities		19,418	17,874
Total non-current liabilities		583,483	228,822
NET ASSETS			
2,317,292			
NET ASSETS			
2,317,292			
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	377	377
Reserves	17	2,316,915	2,157,911
Total equity		2,317,292	2,158,288

Director
Wu Tak Lam

Director
Chiu Man

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021	377	229,842	118,045	121,006	157,947	11,396	32,276	1,487,399	2,158,288
Profit for the period	-	-	-	-	-	-	-	220,619	220,619
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(19,243)	-	(19,243)
Total comprehensive income for the period	-	-	-	-	-	-	(19,243)	220,619	201,376
Final 2020 dividend declared	-	(42,240)	-	-	-	-	-	-	(42,240)
Equity-settled share award expense (note 16)	-	-	-	-	-	(132)	-	-	(132)
At 30 June 2021 (Unaudited)	377	187,602	118,045	121,006	157,947	11,264	13,033	1,708,018	2,317,292

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020	377	250,962	118,045	100,703	157,947	10,773	33,872	1,362,513	2,035,192
Profit for the period	-	-	-	-	-	-	-	46,472	46,472
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,030)	-	(3,030)
Total comprehensive income for the period	-	-	-	-	-	-	(3,030)	46,472	43,442
Final 2019 dividend declared	-	(21,120)	-	-	-	-	-	-	(21,120)
Equity-settled share award expense (note 16)	-	-	-	-	-	239	-	-	239
At 30 June 2020 (Unaudited)	377	229,842	118,045	100,703	157,947	11,012	30,842	1,408,985	2,057,753

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
	Notes		
Operating activities			
Profit before tax		292,793	70,616
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	77,698	67,085
Depreciation of right-of-use assets	5(c)	14,230	11,852
Amortisation of intangible assets	5(c)	783	494
Interest income	4(b)	(2,116)	(3,412)
Net loss/(gain) on disposal of items of property, plant and equipment	4(b)	5,952	(1,417)
Equity-settled share award expense	5(a)	(132)	239
(Reversal)/Accrual of impairment of inventories		(3,723)	2,753
Gain on disposal of equity interests from a third party	4(b)	(145,204)	-
Finance costs	6	47,765	51,424
		288,046	199,634
Decrease/(Increase) in pledged bank deposits		22,675	(107,232)
Increase in cash in transit		(8,310)	(9,519)
Decrease/(Increase) in trade receivables		2,688	(3,586)
Decrease in prepayments, deposits and other receivables		50,512	15,166
Decrease/(Increase) in inventories		21,520	(10,157)
(Decrease)/Increase in trade and bills payables		(128,586)	145,872
Increase/(Decrease) in other payables and accruals		359	(41,321)
Decrease in amounts due from a related party		1,190	2,899
Cash generated from operations		250,094	191,756
Tax paid		(30,671)	(12,992)
Net cash generated from operating activities		219,423	178,764

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Investing activities		
Purchase of items of property, plant and equipment	(168,521)	(101,171)
Proceeds from disposal of items of property, plant and equipment	61,998	37,504
Purchase of intangible assets	(256)	–
Interest received	2,116	3,412
Proceeds from disposal of equity interests from a third party	24,008	–
Increase of time deposits of maturity over three months	(24,146)	(120)
Net cash used in investing activities	(104,801)	(60,375)
Financing activities		
Proceeds from bank loans and other borrowings	4,138,698	3,215,294
Repayment of bank loans and other borrowings	(4,115,276)	(3,294,509)
Principal portion of lease payments	(8,207)	(4,031)
Interest paid for bank loan and other borrowings	(48,739)	(52,381)
Dividends paid	(42,240)	(21,120)
Net cash used in financing activities	(75,764)	(156,747)
Net increase/(decrease) in cash and cash equivalents	38,858	(38,358)
Cash and cash equivalents at the beginning of each period	743,542	887,019
Effect of foreign exchange rate changes, net	(1,213)	1,653
Cash and cash equivalent at the end of each period	781,187	850,314
Analysis of balances of cash and cash equivalents		
Cash and bank balances	755,354	818,456
Short-term deposits with maturity less than 3 months	25,833	31,858
	781,187	850,314

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

Sunfonda Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 13 January 2011 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 May 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the sale and service of motor vehicles in the Mainland China.

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which is incorporated in the British Virgin Islands (“BVI”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The revised standards have had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's non-current assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue. No major customer segment information is presented in accordance with HKFRS 8 *Operating Segments*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Revenue from contracts with customers		
Disaggregated revenue information		
Types of goods or service		
Revenue from the sale of motor vehicles	5,484,891	3,950,241
Others	639,620	490,692
Total revenue from contracts with customers	6,124,511	4,440,933
Timing of revenue recognition		
At a point in time	6,124,511	4,440,933

(b) Other income and gains, net:

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Commission income	89,842	57,106
Logistics and storage income	13,411	12,399
Government grants	1,841	4,859
Interest income	2,116	3,412
Gain on disposal of equity interests from a third party	145,204	–
Net (loss)/gain on disposal of items of property, plant and equipment	(5,952)	1,417
Others	(9,660)	855
	236,802	80,048

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	127,323	88,121
Equity-settled share award expense	(132)	239
Other welfare	23,652	11,945
	150,843	100,305
(b) Cost of sales and services:		
Cost of sales of motor vehicles	5,281,697	3,852,758
Others*	359,544	273,913
	5,641,241	4,126,671
(c) Other items		
Depreciation and impairment of property, plant and equipment	77,698	67,085
Depreciation of right-of-use assets	14,230	11,852
Amortisation of intangible assets	783	494
Advertisement and business promotion expenses	43,896	25,847
Lease expenses	2,596	1,151
Bank charges	2,589	2,523
Office expenses	19,049	13,937
Logistics expenses	7,853	4,925
Net loss/(gain) on disposal of items of property, plant and equipment	5,952	(1,417)

* There were employee benefit expenses of RMB29,829,000 (six months ended 30 June 2020: RMB23,842,000) included in the cost of sales and services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. FINANCE COSTS

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Interest on bank borrowings and other borrowings	46,625	50,545
Interest expense on lease liabilities	1,140	879
	47,765	51,424

7. INCOME TAX

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Current Mainland China corporate income tax	51,949	25,307
Deferred tax	20,225	(1,163)
	72,174	24,144

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate for the Mainland China subsidiaries is 25% from 1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. DIVIDENDS

On 20 August 2021, the board of directors declared an interim dividend of HK\$0.05 (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately HK\$30,000,000 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the six months ended 30 June 2021 is based on the profit for the period attributable to owners of parent, and the weighted average number of ordinary shares of 600,000,000 in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

	For the six months ended 30 June 2021 Unaudited RMB'000	For the six months ended 30 June 2020 Unaudited RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	220,619	46,472
Shares		
Weighted average number of ordinary shares in issue during the period	600,000,000	600,000,000
Earnings per share		
Basic and diluted (RMB)	0.37	0.08

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. INVENTORIES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Motor vehicles (at cost or at net realizable value)	818,292	823,353
Spare parts (at cost)	64,343	77,079
	882,635	900,432

As at 30 June 2021, certain of the Group's inventories with an aggregate carrying amount of approximately RMB509,716,000 (31 December 2020: RMB548,393,000) were pledged as security for the Group's bank loans and other borrowings (note 13(a)).

As at 30 June 2021, certain of the Group's inventories with an aggregate carrying amount of approximately RMB140,981,000 (31 December 2020: RMB248,717,000) were pledged as security for the Group's bills payable (note 14).

11. TRADE RECEIVABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables	36,134	38,822

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

11. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 3 months	31,670	33,987
More than 3 months but less than 1 year	1,601	3,475
Over 1 year	2,863	1,360
Total	36,134	38,822

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Prepayments and deposits to suppliers	463,182	481,322
Vendor rebate receivables	228,669	200,627
VAT recoverable*	31,908	23,916
Others	128,659	135,204
Total	852,418	841,069

Notes:

* The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. BANK LOANS AND OTHER BORROWINGS

	30 June 2021 Unaudited		31 December 2020 Audited	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
CURRENT:				
Bank loans	3.5-5.8	1,084,913	3.3-6.7	1,256,945
Other borrowings	3.0-8.6	283,860	3.0-8.6	406,011
		1,368,773		1,662,956
NON-CURRENT:				
Bank loans	3.5-5.9	533,187	3.5-6.7	192,626
Other borrowings		–	4.5	4,750
		533,187		197,376
		1,901,960		1,860,332
Bank loans and other borrowings represent:				
– secured loans (a)		1,655,459		1,662,610
– unsecured loans		246,501		197,722
		1,901,960		1,860,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. BANK LOANS AND OTHER BORROWINGS (continued)

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Analysed into:		
Bank loans repayable		
Within one year	1,084,913	1,256,945
In the second year	256,624	75,522
In the third to fifth years, inclusive	168,377	84,145
Over fifth years	108,186	32,959
	1,618,100	1,449,571
Other borrowings repayable		
Within one year	283,860	406,011
In the second year	-	4,750
	283,860	410,761
Total	1,901,960	1,860,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. BANK LOANS AND OTHER BORROWINGS (continued)

- (a) As at 30 June 2021, certain of the Group's bank loans and other borrowings are secured by:
- (i) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB509,716,000 (31 December 2020: RMB548,393,000) (note 10);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB364,707,000 (31 December 2020: RMB415,357,000);
 - (iii) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB195,123,000 (31 December 2020: RMB228,281,000);
 - (iv) mortgages over the Group's construction in progress, which had an aggregate carrying value of approximately RMB246,000,000 (31 December 2020: Nil);
 - (v) mortgages over the Group's bank deposits, which had an aggregate carrying value of approximately RMB2,257,500 (31 December 2020: HK\$4,800,000 (equivalent to RMB4,040,000)), US\$8,630,000 (equivalent to RMB55,753,000) (31 December 2020: US\$8,630,000 (equivalent to RMB56,313,000)).
- (b) Except for the secured bank loan amounting to HK\$223,000,000 (equivalent to RMB185,554,000) (31 December 2020: HK\$224,700,000 (equivalent to RMB189,117,000)) which is denominated in Hong Kong dollars, all borrowings are in Renminbi.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

14. TRADE AND BILLS PAYABLES

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables	108,814	105,474
Bills payable	359,376	491,290
Trade and bills payables	468,190	596,764

An ageing analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 3 months	384,496	508,336
3 to 6 months	74,193	72,123
6 to 12 months	5,096	11,986
Over 12 months	4,405	4,319
Total	468,190	596,764

The trade and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90-180 days terms.

As at 30 June 2021, the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB140,981,000 (31 December 2020: RMB248,717,000) (note 10).

As at 30 June 2021, the Group's bills payable are secured by mortgages over the Group's pledged bank deposits, which had an aggregate carrying value of approximately RMB300,095,000 (31 December 2020: RMB313,970,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. SHARE CAPITAL

Issued and fully paid

	No. of shares at US\$0.0001 each	Equivalent to RMB'000
Ordinary shares	600,000,000	377

16. SHARE-BASED PAYMENTS

(a) Pre-IPO SHARE AWARD SCHEME

The Company's Pre-IPO Share Award Scheme was approved and adopted on 8 January 2014 for the purpose of recognising and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, a Management Trust was established by Top Wheel Limited which was fully owned by Mr. Wu Tak Lam and Ms. Chiu Man on 8 January 2014 with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 Shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vest in full of the share award would, under the present capital structure of the Company, have no impact on the additional ordinary shares of the Company.

The following awarded shares were outstanding under the Scheme during the period:

	2021 Number of awarded shares '000	2020 Number of awarded shares '000
At 1 January	1,476	2,299
Vested during the period	(597)	(517)
Forfeited during the period	(384)	–
At 30 June	495	1,782

Under the Pre-IPO Share Award Scheme, vesting period is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

16. SHARE-BASED PAYMENTS (continued)

(a) Pre-IPO SHARE AWARD SCHEME (continued)

Particulars of awarded shares as at 30 June 2021 and 31 December 2020 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK\$/share	Number of outstanding shares as at	
			30 June 2021 '000	31 December 2020 '000
5 years	2 July 2015	2.95	–	–
5 years	6 Feb 2016	2.54	–	90
5 years	23 Jan 2017	2.19	252	512
5 years	28 Feb 2018	1.23	243	394
5 years	28 Dec 2018	1.00	–	480
			495	1,476

No share awards were granted for the period ended 30 June 2021 and 30 June 2020.

The fair value of share awards granted was estimated, by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

The Group reversed a share awards expense of RMB132,000 (six months ended 30 June 2020: recognized a share awards expense of RMB239,000) during the six months ended 30 June 2021.

At the end of the period, the Company had 495,000 (31 December 2020: 1,476,000) awarded shares outstanding under the Pre-IPO Share Award Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

16. SHARE-BASED PAYMENTS (continued)

(b) Share Option Scheme

On 18 January 2014, a share option scheme was approved and adopted by the then shareholder (the "Share Option Scheme") for the purposes of recognising and rewarding the contributions of the selected employees of the Group and motivating their contribution to the future development of the Group.

No share options were granted under the Share Option Scheme during the period ended 30 June 2021 (30 June 2020: Nil).

17. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(iv) Capital reserve

The capital reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the carrying amount of the non-controlling interests acquired over the consideration.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

19. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for these financial statements as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Contracted, but not provided for Buildings	137,214	176,055

20. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders (the "Controlling Shareholders") of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the reporting period:

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties

The following transactions were carried out with a related company during the period:

	30 June 2021 Unaudited RMB'000	30 June 2020 Unaudited RMB'000
(i) Sales of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	3,363	1,868
(ii) Purchase of motor vehicles and spare parts Yangzhou Sunfonda Automobile Co., Ltd.*	66	–

* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Balances with related parties

Due from a related party:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade related Yangzhou Sunfonda Automobile Co., Ltd.	6,700	7,890

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management personnel of the Group:

	30 June 2021 Unaudited RMB'000	30 June 2020 Unaudited RMB'000
Short term employee benefits	3,191	2,427
Equity-settled share award expense	11	27
Post-employee benefits	46	26
Total compensation paid to key management personnel	3,248	2,480

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

Financial assets

	Financial assets at amortised cost	
	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables	36,134	38,822
Financial assets included in prepayments, deposits and other receivables	357,328	351,531
Amounts due from a related party	6,700	7,890
Pledged bank deposits	355,848	378,523
Cash in transit	24,700	16,390
Cash and cash at banks and short-term deposits	879,691	817,900
	1,660,401	1,611,056

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade and bills payables	468,190	596,764
Financial liabilities included in other payables and accruals	124,931	97,864
Lease liabilities	38,918	20,849
Bank loans and other borrowings	1,901,960	1,860,332
	2,533,999	2,575,809

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash at banks, short-term deposits, cash in transit, amounts due from related parties, pledged bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which are also approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 30 June 2021 was assessed to be insignificant.

23. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2021.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 August 2021.